SENATE BILL No. 336

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5.

Synopsis: Exclusion of certain interest from income tax. Provides an exclusion from the adjusted gross income tax for interest on deposits received by individuals.

Effective: January 1, 2010.

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January 8, 2009, read first time and referred to Committee on Tax and Fiscal Policy.



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First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in this style type, and deletions will appear in this style type.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in this style type. Also, the word NEW will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in this style type or this style type reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

SENATE BILL No. 336

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.131-2008
SECTION 11, AND AS AMENDED BY P.L.3-2008, SECTION 60, IS
CORRECTED AND AMENDED TO READ AS FOLLOWS
[EFFECTIVE JANUARY 1, 2010]: Sec. 3.5. When used in this article
the term "adjusted gross income" shall mean the following:
[EFFECTIVE JANUARY 1, 2010]: Sec. 3.5. When used in this article

- (a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:
 - (1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.
 - (2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.
 - (3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).

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1	(4) Subtract one thousand dollars (\$1,000) for:
2	(A) each of the exemptions provided by Section 151(c) of the
3	Internal Revenue Code;
4	(B) each additional amount allowable under Section 63(f) of
5	the Internal Revenue Code; and
6	(C) the spouse of the taxpayer if a separate return is made by
7	the taxpayer and if the spouse, for the calendar year in which
8	the taxable year of the taxpayer begins, has no gross income
9	and is not the dependent of another taxpayer.
10	(5) Subtract:
11	(A) for taxable years beginning after December 31, 2004, one
12	thousand five hundred dollars (\$1,500) for each of the
13	exemptions allowed under Section 151(c)(1)(B) of the Internal
14	Revenue Code (as effective January 1, 2004); and
15	(B) five hundred dollars (\$500) for each additional amount
16	allowable under Section 63(f)(1) of the Internal Revenue Code
17	if the adjusted gross income of the taxpayer, or the taxpayer
18	and the taxpayer's spouse in the case of a joint return, is less
19	than forty thousand dollars (\$40,000).
20	This amount is in addition to the amount subtracted under
21	subdivision (4).
22	(6) Subtract an amount equal to the lesser of:
23	(A) that part of the individual's adjusted gross income (as
24	defined in Section 62 of the Internal Revenue Code) for that
25	taxable year that is subject to a tax that is imposed by a
26	political subdivision of another state and that is imposed on or
27	measured by income; or
28	(B) two thousand dollars (\$2,000).
29	(7) Add an amount equal to the total capital gain portion of a
30	lump sum distribution (as defined in Section 402(e)(4)(D) of the
31	Internal Revenue Code) if the lump sum distribution is received
32	by the individual during the taxable year and if the capital gain
33	portion of the distribution is taxed in the manner provided in
34	Section 402 of the Internal Revenue Code.
35	(8) Subtract any amounts included in federal adjusted gross
36	income under Section 111 of the Internal Revenue Code as a
37	recovery of items previously deducted as an itemized deduction
38	from adjusted gross income.
39	(9) Subtract any amounts included in federal adjusted gross
40	income under the Internal Revenue Code which amounts were
41	received by the individual as supplemental railroad retirement



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annuities under 45 U.S.C. 231 and which are not deductible under

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1	subdivision (1).
2	(10) Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint
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4	returns if the taxable year began before January 1, 1987.
5	(11) Add an amount equal to the interest excluded from federal
6	gross income by the individual for the taxable year under Section
7	128 of the Internal Revenue Code if the taxable year began before
8	January 1, 1985.
9	(12) Subtract an amount equal to the amount of federal Social
.0	Security and Railroad Retirement benefits included in a taxpayer's
.1	federal gross income by Section 86 of the Internal Revenue Code.
.2	(13) In the case of a nonresident taxpayer or a resident taxpayer
.3	residing in Indiana for a period of less than the taxpayer's entire
4	taxable year, the total amount of the deductions allowed pursuant
.5	to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
. 6	which bears the same ratio to the total as the taxpayer's income
.7	taxable in Indiana bears to the taxpayer's total income.
. 8	(14) In the case of an individual who is a recipient of assistance
.9	under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
20	subtract an amount equal to that portion of the individual's
2.1	adjusted gross income with respect to which the individual is not
22	allowed under federal law to retain an amount to pay state and
23	local income taxes.
24	(15) In the case of an eligible individual, subtract the amount of
2.5	a Holocaust victim's settlement payment included in the
26	individual's federal adjusted gross income.
27	(16) For taxable years beginning after December 31, 1999,
28	subtract an amount equal to the portion of any premiums paid
.9	during the taxable year by the taxpayer for a qualified long term
50	care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the
31	taxpayer's spouse, or both.
32	(17) Subtract an amount equal to the lesser of:
33	(A) for a taxable year:
34	(i) including any part of 2004, the amount determined under
55	subsection (f); and
66	(ii) beginning after December 31, 2004, two thousand five
37	hundred dollars (\$2,500); or
8	(B) the amount of property taxes that are paid during the
19	taxable year in Indiana by the individual on the individual's
10	principal place of residence.
1	(18) Subtract an amount equal to the amount of a September 11
12	terrorist attack settlement payment included in the individual's



1	federal adjusted gross income.
2	(19) Add or subtract the amount necessary to make the adjusted
3	gross income of any taxpayer that owns property for which bonus
4	depreciation was allowed in the current taxable year or in an
5	earlier taxable year equal to the amount of adjusted gross income
6	that would have been computed had an election not been made
7	under Section 168(k) of the Internal Revenue Code to apply bonus
8	depreciation to the property in the year that it was placed in
9	service.
10	(20) Add an amount equal to any deduction allowed under
11	Section 172 of the Internal Revenue Code.
12	(21) Add or subtract the amount necessary to make the adjusted
13	gross income of any taxpayer that placed Section 179 property (as
14	defined in Section 179 of the Internal Revenue Code) in service
15	in the current taxable year or in an earlier taxable year equal to
16	the amount of adjusted gross income that would have been
17	computed had an election for federal income tax purposes not
18	been made for the year in which the property was placed in
19	service to take deductions under Section 179 of the Internal
20	Revenue Code in a total amount exceeding twenty-five thousand
21	dollars (\$25,000).
22	(22) Add an amount equal to the amount that a taxpayer claimed
23	as a deduction for domestic production activities for the taxable
24	year under Section 199 of the Internal Revenue Code for federal
25	income tax purposes.
26	(23) Subtract an amount equal to the amount of the taxpayer's
27	qualified military income that was not excluded from the
28	taxpayer's gross income for federal income tax purposes under
29	Section 112 of the Internal Revenue Code.
30	(24) Subtract income that is:
31	(A) exempt from taxation under IC 6-3-2-21.7; and
32	(B) included in the individual's federal adjusted gross income
33	under the Internal Revenue Code.
34	(25) Subtract any amount of a credit (including an advance
35	refund of the credit) that is provided to an individual under 26
36	U.S.C. 6428 (federal Economic Stimulus Act of 2008) and
37	included in the individual's federal adjusted gross income.
38	(26) Subtract an amount equal to interest on deposits that is
39	included in the individual's federal adjusted gross income. As
40	used in this subdivision, "deposits" means amounts that are:
41	(A) deposits with an entity transacting the business of a
42	financial institution (as defined in IC 6-5.5-1-3); or



1 2	(B) held by an insurance company under an agreement to	
3	pay the individual interest on the amount held.	
	(b) In the case of corporations, the same as "taxable income" (as	
4 5	defined in Section 63 of the Internal Revenue Code) adjusted as follows:	
6		
7	(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.	
8	(2) Add an amount equal to any deduction or deductions allowed	
9	or allowable pursuant to Section 170 of the Internal Revenue	
10	Code.	
11	(3) Add an amount equal to any deduction or deductions allowed	
12	or allowable pursuant to Section 63 of the Internal Revenue Code	
13	for taxes based on or measured by income and levied at the state	
14	level by any state of the United States.	
15	(4) Subtract an amount equal to the amount included in the	
16	corporation's taxable income under Section 78 of the Internal	
17	Revenue Code.	
18	(5) Add or subtract the amount necessary to make the adjusted	
19	gross income of any taxpayer that owns property for which bonus	
20	depreciation was allowed in the current taxable year or in an	
21	earlier taxable year equal to the amount of adjusted gross income	
22	that would have been computed had an election not been made	
23	under Section 168(k) of the Internal Revenue Code to apply bonus	
24	depreciation to the property in the year that it was placed in	
25	service.	
26	(6) Add an amount equal to any deduction allowed under Section	
27	172 of the Internal Revenue Code.	
28	(7) Add or subtract the amount necessary to make the adjusted	
29	gross income of any taxpayer that placed Section 179 property (as	
30	defined in Section 179 of the Internal Revenue Code) in service	
31	in the current taxable year or in an earlier taxable year equal to	
32	the amount of adjusted gross income that would have been	
33	computed had an election for federal income tax purposes not	
34	been made for the year in which the property was placed in	
35	service to take deductions under Section 179 of the Internal	
36	Revenue Code in a total amount exceeding twenty-five thousand	
37	dollars (\$25,000).	
38	(8) Add an amount equal to the amount that a taxpayer claimed as	
39	a deduction for domestic production activities for the taxable year	
40	under Section 199 of the Internal Revenue Code for federal	
41	income tax purposes.	
42	(9) Add to the extent required by IC 6-3-2-20 the amount of	



1	intangible expenses (as defined in IC 6-3-2-20) and any directly
2	related intangible interest expenses (as defined in IC 6-3-2-20) for
3	the taxable year that reduced the corporation's taxable income (as
4	defined in Section 63 of the Internal Revenue Code) for federal
5	income tax purposes.
6	(10) Add an amount equal to any deduction for dividends paid (as
7	defined in Section 561 of the Internal Revenue Code) to
8	shareholders of a captive real estate investment trust (as defined
9	in section 34.5 of this chapter).
10	(11) Subtract income that is:
11	(A) exempt from taxation under IC 6-3-2-21.7; and
12	(B) included in the corporation's taxable income under the
13	Internal Revenue Code.
14	(c) In the case of life insurance companies (as defined in Section
15	816(a) of the Internal Revenue Code) that are organized under Indiana
16	law, the same as "life insurance company taxable income" (as defined
17	in Section 801 of the Internal Revenue Code), adjusted as follows:
18	(1) Subtract income that is exempt from taxation under this article
19	by the Constitution and statutes of the United States.
20	(2) Add an amount equal to any deduction allowed or allowable
21	under Section 170 of the Internal Revenue Code.
22	(3) Add an amount equal to a deduction allowed or allowable
23	under Section 805 or Section 831(c) of the Internal Revenue Code
24	for taxes based on or measured by income and levied at the state
25	level by any state.
26	(4) Subtract an amount equal to the amount included in the
27	company's taxable income under Section 78 of the Internal
28	Revenue Code.
29	(5) Add or subtract the amount necessary to make the adjusted
30	gross income of any taxpayer that owns property for which bonus
31	depreciation was allowed in the current taxable year or in an
32	earlier taxable year equal to the amount of adjusted gross income
33	that would have been computed had an election not been made
34	under Section 168(k) of the Internal Revenue Code to apply bonus
35	depreciation to the property in the year that it was placed in
36	service.
37	(6) Add an amount equal to any deduction allowed under Section
38	172 or Section 810 of the Internal Revenue Code.
39	(7) Add or subtract the amount necessary to make the adjusted
40	gross income of any taxpayer that placed Section 179 property (as
41	defined in Section 179 of the Internal Revenue Code) in service
42	in the current taxable year or in an earlier taxable year equal to
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1	the amount of adjusted gross income that would have been	
2	computed had an election for federal income tax purposes not	
3	been made for the year in which the property was placed in	
4	service to take deductions under Section 179 of the Internal	
5	Revenue Code in a total amount exceeding twenty-five thousand	
6	dollars (\$25,000).	
7	(8) Add an amount equal to the amount that a taxpayer claimed as	
8	a deduction for domestic production activities for the taxable year	
9	under Section 199 of the Internal Revenue Code for federal	
10	income tax purposes.	4
11	(9) Subtract income that is:	
12	(A) exempt from taxation under IC 6-3-2-21.7; and	`
13	(B) included in the insurance company's taxable income under	
14	the Internal Revenue Code.	
15	(d) In the case of insurance companies subject to tax under Section	
16	831 of the Internal Revenue Code and organized under Indiana law, the	4
17	same as "taxable income" (as defined in Section 832 of the Internal	
18	Revenue Code), adjusted as follows:	
19	(1) Subtract income that is exempt from taxation under this article	
20	by the Constitution and statutes of the United States.	
21	(2) Add an amount equal to any deduction allowed or allowable	
22	under Section 170 of the Internal Revenue Code.	
23	(3) Add an amount equal to a deduction allowed or allowable	
24	under Section 805 or Section 831(c) of the Internal Revenue Code	
25	for taxes based on or measured by income and levied at the state	
26	level by any state.	
27	(4) Subtract an amount equal to the amount included in the	
28	company's taxable income under Section 78 of the Internal	,
29	Revenue Code.	
30	(5) Add or subtract the amount necessary to make the adjusted	
31	gross income of any taxpayer that owns property for which bonus	
32	depreciation was allowed in the current taxable year or in an	
33	earlier taxable year equal to the amount of adjusted gross income	
34	that would have been computed had an election not been made	
35	under Section 168(k) of the Internal Revenue Code to apply bonus	
36	depreciation to the property in the year that it was placed in	
37	service.	
38	(6) Add an amount equal to any deduction allowed under Section	
39	172 of the Internal Revenue Code.	
40	(7) Add or subtract the amount necessary to make the adjusted	
41	gross income of any taxpayer that placed Section 179 property (as	
42	defined in Section 179 of the Internal Revenue Code) in service	



1	in the current taxable year or in an earlier taxable year equal to
2	the amount of adjusted gross income that would have been
3	computed had an election for federal income tax purposes not
4	been made for the year in which the property was placed in
5	service to take deductions under Section 179 of the Internal
6	Revenue Code in a total amount exceeding twenty-five thousand
7	dollars (\$25,000).
8	(8) Add an amount equal to the amount that a taxpayer claimed as
9	a deduction for domestic production activities for the taxable year
10	under Section 199 of the Internal Revenue Code for federal
11	income tax purposes.
12	(9) Subtract income that is:
13	(A) exempt from taxation under IC 6-3-2-21.7; and
14	(B) included in the insurance company's taxable income under
15	the Internal Revenue Code.
16	(e) In the case of trusts and estates, "taxable income" (as defined for
17	trusts and estates in Section 641(b) of the Internal Revenue Code)
18	adjusted as follows:
19	(1) Subtract income that is exempt from taxation under this article
20	by the Constitution and statutes of the United States.
21	(2) Subtract an amount equal to the amount of a September 11
22	terrorist attack settlement payment included in the federal
23	adjusted gross income of the estate of a victim of the September
24	11 terrorist attack or a trust to the extent the trust benefits a victim
25	of the September 11 terrorist attack.
26	(3) Add or subtract the amount necessary to make the adjusted
27	gross income of any taxpayer that owns property for which bonus
28	depreciation was allowed in the current taxable year or in an
29	earlier taxable year equal to the amount of adjusted gross income
30	that would have been computed had an election not been made
31	under Section 168(k) of the Internal Revenue Code to apply bonus
32	depreciation to the property in the year that it was placed in
33	service.
34	(4) Add an amount equal to any deduction allowed under Section
35	172 of the Internal Revenue Code.
36	(5) Add or subtract the amount necessary to make the adjusted
37	gross income of any taxpayer that placed Section 179 property (as
38	defined in Section 179 of the Internal Revenue Code) in service
39	in the current taxable year or in an earlier taxable year equal to
40	the amount of adjusted gross income that would have been
41	computed had an election for federal income tax purposes not

been made for the year in which the property was placed in



1	service to take deductions under Section 179 of the Internal	
2	Revenue Code in a total amount exceeding twenty-five thousand	
3	dollars (\$25,000).	
4	(6) Add an amount equal to the amount that a taxpayer claimed as	
5	a deduction for domestic production activities for the taxable year	
6	under Section 199 of the Internal Revenue Code for federal	
7	income tax purposes.	
8	(7) Subtract income that is:	
9	(A) exempt from taxation under IC 6-3-2-21.7; and	
10	(B) included in the taxpayer's taxable income under the	
11	Internal Revenue Code.	
12	(f) This subsection applies only to the extent that an individual paid	
13	property taxes in 2004 that were imposed for the March 1, 2002,	
14	assessment date or the January 15, 2003, assessment date. The	
15	maximum amount of the deduction under subsection (a)(17) is equal	_
16	to the amount determined under STEP FIVE of the following formula:	
17	STEP ONE: Determine the amount of property taxes that the	
18	taxpayer paid after December 31, 2003, in the taxable year for	
19	property taxes imposed for the March 1, 2002, assessment date	
20	and the January 15, 2003, assessment date.	
21	STEP TWO: Determine the amount of property taxes that the	
22	taxpayer paid in the taxable year for the March 1, 2003,	0
23	assessment date and the January 15, 2004, assessment date.	
24	STEP THREE: Determine the result of the STEP ONE amount	_
25	divided by the STEP TWO amount.	
26	STEP FOUR: Multiply the STEP THREE amount by two	
27	thousand five hundred dollars (\$2,500).	
28	STEP FIVE: Determine the sum of the STEP FOUR amount and	V
29	two thousand five hundred dollars (\$2,500).	
30	SECTION 2. [EFFECTIVE JANUARY 1, 2010] IC 6-3-1-3.5, as	
31	amended by this act, applies only to taxable years beginning after	
32	December 31, 2009.	

